

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

In the Matter of: )  
)  
Petition for Rulemaking to Amend ) RM-8640  
Part 32 of the Commission's Rules )  
to Eliminate Detailed Property Records )  
for Certain Support Assets )

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AMERITECH'S COMMENTS

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The Ameritech Operating Companies<sup>1</sup> ("Ameritech" or the "Company"), respectfully offer the following comments on the Petition for Rulemaking ("Petition") filed by the United States Telephone Association ("USTA") in this docket on May 31, 1994. In that Petition, USTA asks the Commission to amend its existing rules by eliminating detailed property record requirements for support assets in certain accounts and permitting vintage amortization level ("VAL") property records for those assets. Ameritech supports USTA's Petition and asks the Commission to expeditiously adopt the rules USTA has proposed effective January 1, 1996.

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<sup>1</sup> The Ameritech Operating Companies are: Illinois Bell Telephone Company, Indiana Bell Telephone, Incorporated, Michigan Bell Telephone Company, The Ohio Bell Telephone Company and Wisconsin Bell, Inc.

Under the VAL system proposed by USTA:

the net book value of existing assets in each Account will be placed in a VAL group and amortized on a straight-line basis over the remaining life that results from the asset life chosen from the FCC-approved range of lives. Likewise, a VAL group will be established for new purchases in each vintage for each Account and amortized on a straight-line basis over the asset live (sic) chosen from the FCC-approved range of rates. The assets and their associated reserves will be removed from carriers' books when the cost of the related VAL group is fully amortized. Because salvage proceeds and cost of removal are not significant for these assets, and because these cannot be identified with a specific vintage, salvage proceeds will be reflected as a reduction in amortization expense, and the cost of removal will be reflected as an increase in amortization expense.<sup>2</sup>

USTA's proposal is based, in large measure, on principles of operational efficiency and simplification which carriers must be given the opportunity to achieve in order to better serve customers in today's increasingly competitive telecommunication's environment. USTA notes that "[a] disproportionate amount of resources are currently being dedicated to maintaining quite detailed property records for support assets."<sup>3</sup> This has been Ameritech's experience; Ameritech estimates that the general support assets constitute approximately 6% of gross plant but generates approximately 14% of the administrative costs of accounting for all plant. This disparity, standing alone, is adequate reason for the Commission to be receptive to a change in the status quo.

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<sup>2</sup> USTA Petition at 2-3.

<sup>3</sup> USTA Petition at 3-4.

USTA's VAL proposal will help address this disparity by simplifying the entire accounting process for support assets. Time-consuming depreciation studies no longer would be needed because the asset life for the VAL group is selected from the Commission-approved range of lives.<sup>4</sup> And because Commission-approved asset lives are used for the amortization period, there would be no on-going transactional data (such as mid-life retirements and book reconciliation) with attendant costs. Moreover, retirements no longer would be triggered by manual intervention, but would occur automatically upon completion of amortization; this would ensure timely and continuously verifiable retirements. Ameritech estimates that it could save approximately \$3.4M annually using USTA's VAL proposal. The incentive to realize these kind of savings is one of the foundations underlying the entire concept of price regulation.

This efficiency and simplification inures to the benefit of the Commission, as well, because its staff resources no longer would be required to devote as much time and expense to its administrative and oversight function with respect to these support assets.

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<sup>4</sup> USTA notes that its proposal could be implemented on a revenue neutral basis because Commission-approved lives would be used. USTA Petition at 4. Of course, there is no "revenue requirement" impact for companies, like Ameritech, which opt for a no-sharing form of price cap regulation at the federal level and operate under pure price regulation at the state level.

The Commission's May 10, 1995 Public Notice does not specifically recognize any of these potential benefits as grounds for adopting the USTA proposal. Rather, the Public Notice asks parties to focus on how USTA's VAL proposal "provides for adequate internal controls to safeguard these support assets" and the "records [which] are necessary to ascertain the location, existence, and cost of these assets."<sup>5</sup>

As Ameritech understands USTA's proposal, all of this information continues to be maintained, albeit not in the form of detailed continuing property records. Instead, carriers would document and safeguard their support assets through other internal and external processes the same way the vast majority of industry does today.<sup>6</sup> Under the USTA proposal, for example, the normal paperwork associated with the budget approvals for purchases of support assets would continue to remain in place. The typical paperwork associated with purchasing would be retained. The usual single point of contact to track the movement of support assets would be maintained. Standard security measures to safeguard assets would remain. Customary inventory reviews would continue to take place. Routine internal and external audits would continue to occur. Indeed, Commission resources which are freed up under USTA's proposal could be used to oversee

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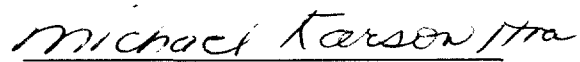
<sup>5</sup> Public Notice at. 1.

<sup>6</sup> Although the vast majority of industry is not obligated to follow the Uniform System of Accounts, asset records are customarily maintained to satisfy general requirements of tax and securities law.

these more traditional methods for safeguarding assets and implementing VAL accounting.

In short: there are strong public interest reasons supporting USTA's request that the Commission adopt rules allowing for the VAL system set-out in USTA's Petition and no diminishment of adequate safeguards. Ameritech believes that the Commission should undertake a rulemaking proceeding that culminates in the adoption of such rules effective January 1, 1996.

Respectfully submitted,

A handwritten signature in cursive script that reads "Michael Karson". The signature is written in dark ink and is positioned above the typed name and address.

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July 5, 1995

CERTIFICATE OF SERVICE

I, Deborah L. Thrower do hereby certify that a copy of the foregoing Comments of Ameritech has been served on the party listed below, by first class mail, postage prepaid, on this 5th day of July 1995.

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Deborah L. Thrower

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